

PRESS BRIEFING ON THE MAIL CLASSIFICATION SCHEDULE,
1995 CLASSIFICATION REFORM I

POSTAL RATE COMMISSION
COMMISSION HEARING ROOM
1333 H STREET, N.W., SUITE 300
WASHINGTON, D.C. 20268-0001

JANUARY 26, 1996

PRESS PACKAGE: LIST OF INCLUDED ITEMS

Press Release, "Postal Rate Commission Announces Recommended Decision"

Statement of Edward J. Gleiman, Chairman, Postal Rate Commission, at the
January 26 Press Briefing on the Mail Classification Schedule, 1995.

Charts:

Docket No. MC95-1: Current, Proposed and Recommended Rates

Mail Classes

First Class Mail: Classification and Rate Comparison

Standard Mail: Classification and Selected Rate Comparison

Periodicals: Current, Proposed and Recommended Rates

Total Automation Mail Pieces

Decision Summary and Introduction

Postal Rate Commission Background

Biographies of Commissioners

NEWS

POSTAL RATE COMMISSION WASHINGTON, D.C. 20268

EMBARGOED UNTIL 10:00 a.m.
January 26, 1996

Contact: Margaret P. Crenshaw
or Cyril Pittack
Telephone: (202) 789-6840
Fax: (202) 789-6886

WASHINGTON — The Postal Rate Commission today announced its general approval of postal classification and rate restructuring. In releasing the decision, Commission Chairman Edward J. Gleiman stressed that “the Commission has done what the Postal Service requested. It recommends a fairer and more cost-based mail classification structure with rates which closely parallel those proposed by the Postal Service.”

The mail affected comprises 89 percent of all mail volume and generates 80 percent (\$43.6 billion) of postal revenues. The Commission recommends no change in the 32-cent stamp and rejects a Postal Service proposal to increase the post card rate to 21 cents.

The Postal Service proposal, as recommended by the Commission, will rename and reorder existing *classes* of mail. Express Mail becomes Expedited. First-Class Mail remains unchanged, but existing third and fourth class are combined into a new Standard Mail class. Existing second class is renamed Periodicals class.

The Commission also endorses the Postal Service goal of promoting automation by restructuring classifications and rates to reward “workshare” mailers. These mailers prepare mail for automated processing and mail that otherwise bypasses postal operations, thereby reducing postal costs.

For many years the Commission has supported the Postal Service's automation program. This decision continues that practice. Under the recommended classification reforms both the Postal Service-proposed and the Commission-recommended rates promote a massive transfer of mail from presort to automation categories. The Postal Service estimated its proposed rates would have increased First-Class and Standard Mail automation volume to 47.6 billion pieces. The results are virtually the same under the Commission-recommended rates. First-Class and Standard automation mail volume will grow to 47.2 billion pieces.

The Commission largely adopted the changes in mailing rules and procedures proposed by the Postal Service in the form of a new Domestic Mail Classification Schedule.

"The Commission's decision allows the Postal Service's automation implementation plans to proceed on course," said Gleiman. "It also means substantial postage savings for many of the nation's mailers."

For First-Class Mail, as proposed by the Postal Service, rates for automation compatible mail will be reduced by about two cents, but plain presort rates will be increased. The smallest prebarcoding incentive will increase to 5.9 cents, and the reward for plain presorting is reduced from 4.6 cents to 2.5 cents. Mail preparation requirements for First-Class Mail will change to reflect the Postal Service's proposals. All automation rate mail will require a valid delivery point barcode, and minimum volumes for presort will be 150 pieces (about three-fourths of a tray) instead of 50 — or 10 pieces bundled with rubber bands. Carrier route presort discounts will be restricted to barcoded pieces going to 5-digit areas that are using either manual or carrier sequence barcode sorter methods for sequencing mail.

The Service proposed a requirement that courtesy reply envelopes, such as those provided for consumer bill payments, be prebarcoded. The Commission

endorses this requirement, but goes one step further. It concludes that courtesy envelope mail (CEM) merits separate recognition and rate treatment in the mail classification schedule, although it refrains from recommending a specific rate for this mail at this time.

In the proposed Standard Mail class, the Commission's recommended classification and rate structure largely follows the Postal Service's proposal. A full set of automation rates will retain destination entry discounts that will be somewhat lower than the current levels. While the Commission does not believe separate Automation and Regular subclasses are justified, it does recommend the Enhanced Carrier Route subclass proposed by the Service. Rates for Enhanced Carrier Route generally track those proposed by the Postal Service and will be lower than current rates. The Commission also endorses the mail preparation procedures which the Postal Service proposes for Standard Mail.

There was substantial opposition to the Postal Service's proposals for second-class mail. Opponents argued that the proposed subclasses would lead to an unfair reallocation of postal overhead costs, thereby harming many for the benefit of a relative few. The Postal Service proposed an average 17 percent postage *increase* for more than 11,000 small volume periodicals to effect an average *decrease* of 14 percent in rates for some 800 densely circulated publications.

The Commission rejects dividing second-class regular publications as proposed by the Postal Service. It finds no basis, economic or otherwise, for drawing such an arbitrary line between large and small publications. The Commission does recommend rates that reflect, to the full extent supported by the record, the worksharing activities of *all* publications. Large, highly-presorted publications (the roughly 800 identified by the Postal Service) will experience an average rate decrease of 3.7 percent, not 14 percent. The average increase for

others will be 3.5 percent. The Commission's decision notes that improved Postal Service cost studies could lead to further rate refinements.

With the exception of the new Enhanced Carrier Route subclass in Standard Mail, the Commission recommends no new subclasses. The Postal Service proposed several. The Commission's decision discusses the importance of subclasses for allocating postal overhead costs as required by the Postal Reorganization Act. In this case, supporters of new subclasses failed to show that their proposals would be appropriate. There was no evidence that the proposed groupings represent distinct products serving different markets. Further, the presence of competition for the various proposed subclasses, although claimed, was not shown. What evidence the Service possessed in the form of surveys or studies was withheld, surprisingly, even from its own witnesses.

For the most part, the Postal Service's justification for the proposed subclasses was based on cost differences between them. The record, however, generally shows that those cost differences result from mailer worksharing activities. When that is the case, rate categories (not subclasses) appropriately reflect cost differences and, in fact, result in rates which send better economic signals and lead to productive efficiencies.

Mailers appearing before the Commission expressed serious concerns that the proposed subclasses could lead to unfairness and inequities by substantially shifting responsibility for almost \$20 billion in postal overhead costs. Several parties forcefully demonstrated that under the Postal Service's proposal individuals, small businesses, and publishers of small circulation newspapers and magazines could pay more; large business mailers, large circulation publishers, and saturation mail advertisers could pay less. The Postal Service chose not to address the future effects of its proposals in this regard.

“Fortunately,” Gleiman noted, “the Commission was largely able to accommodate the Postal Service’s proposed classification and rate structure goals without going to the subclass extreme.”

The Postal Service originally proposed major mail classification and rate changes on March 24, 1995. Postmaster General Marvin Runyon called for classification reform to create subclasses and adjust rates to make the mailing system “fairer and more cost-based.” As required by law, the Commission held extensive public hearings on the proposal. More than 70 parties, representing varied segments of the mailing community and the public, participated in 35 days of hearings.

Two Commissioners filed dissenting opinions. Vice Chairman W.H. “Trey” LeBlanc and Commissioner George W. Haley argued for a surcharge within Standard Mail for parcels weighing less than one pound.

The Postal Rate Commission is composed of five presidentially-appointed Commissioners, each confirmed by the Senate for a six-year term. Currently there are four sitting Commissioners: Chairman Edward J. Gleiman; Vice-Chairman W.H. “Trey” LeBlanc; and Commissioners George W. Haley and H. Edward Quick, Jr.

The Rate Commission’s recommended decision now goes to the Governors of the Postal Service for further consideration and action.

STATEMENT OF CHAIRMAN EDWARD J. GLEIMAN
POSTAL RATE COMMISSION
JANUARY 26, 1996

Good morning ladies and gentlemen. It is a pleasure to have you here. I am Ed Gleiman, Chairman of the Postal Rate Commission. With me today are my colleagues, Vice Chairman Trey LeBlanc and Commissioners George Haley and Ed Quick.

I hope you will look at the information on the Commission's Recommended Decision on MC95-1, Mail Classification Reform I, contained in the press package. The package includes the introductory chapter of our Opinion and other explanatory material. The Decision was transmitted to the Governors and Postmaster General Marvin Runyon a short while ago. Copies of the Decision will be available at the completion of the press conference for those who want them.

The process which brings us to today began last spring when the Postal Service filed, in the words of Marvin Runyon, "the most sweeping change in mail rules ever." The comprehensive nature and complexity of the Postal Service's proposal presented a challenge both in substance and time. Keep in mind that the Commission's recommendations are governed by criteria set forth in the 1970 Postal Reorganization Act and by its requirement that the Commission rely solely on evidence on the public record.

While there were several contentious moments during our examination of the Postal Service proposal, I want to express my appreciation to all the parties to this case, including the Postal Service, for their cooperation and helpfulness in developing the evidentiary record. I also want to thank the Commission staff for its efforts.

Why did the Postal service seek "sweeping change;" what did it seek in the way of changes; and what does the Commission recommend?

Let's take the "why" first.

The Postal Service suggests that it faces (increasingly) severe competitive pressure from advancing technology, as well as from existing and new entrants into the hard-copy delivery arena. It argues that to meet this competition it must have a classification schedule that groups mail and provides rates (1) that more closely reflect the value of the preparatory work done by mailers before they deposit mail with the Postal Service and (2) which will send price signals to

encourage mailers to provide mail that can be processed efficiently, at lower cost. Offering discount rates that reflect the value of worksharing (automation-related and bulk by-pass activities) will, the Postal Service asserts, drive costs out of the system and improve its competitive position. In this regard, the Postal Service relies heavily on the future success of its automation program; that is, on increasing the volume of automation compatible mail.

To achieve its objectives, the Postal Service proposed what it describes as “market-based classes” of mail, which would provide customers clear choices based on the level of service they wish to receive. The Postal Service proposed three levels of service: Expedited (currently called Express Mail), First-Class Mail (no change here) and Standard Mail (encompassing current third and fourth class). In addition, the Postal Service concluded that a content-based class for magazines and newspapers was necessary to satisfy certain statutory requirements, and here only a name change was sought. What is now called second class would be known as Periodicals.

Mailers who were parties to this proceeding had no objection to the renaming and realignment of these classes, and the Commission recommends their adoption.

Within the First, Standard and Periodicals classes, the Postal Service also proposed significant changes in the structure of subclasses. In the minds of some, the need for subclasses was of paramount importance in this case, seeming at times to take on an almost metaphysical quality. In reality, the notion of a “subclass” of mail does not appear in the Postal Reorganization Act. It is a concept that has evolved over the years as a means for grouping types of mail having similar cost and demand or market characteristics for the purpose of postal ratemaking—in other words, a way to determine attributable costs and assign overhead costs. Therefore, rate changes and the contribution toward covering the Postal Service’s almost \$20 billion dollar overhead expense hinge on the subclass structure; how rates would change and who would pay the Postal Service’s overhead thus became the crux of this case.

Before I discuss what the Commission recommends with respect to the establishment of subclasses, let me get to the bottom line for both the Postal Service and mailers. For First-Class Mail and the new Standard Mail class, the Commission recommends rates—whether associated with subclasses or rate categories—that align closely with those proposed by the Postal Service. Differences between the recommended rates and those proposed by the Postal Service are generally due to the Commission’s policy view that discounts for mailers’ work should not exceed the costs avoided by the Service as a consequence

of mailer worksharing. Some of the Service's proposed rates would have given mailers a rate discount larger than the cost avoided by the Postal Service. Such rate discounts send the wrong price signal. They are economically inefficient, and they are unfair to other mailers.

The Commission's recommended rates do not give too large a discount to any type of mail, but they take into account and are consistent with the operational objectives and management initiatives of the Postal Service. If approved by the Governors, the recommended rates will result in the sought-after increase in automation compatible mail and should assist the Postal Service in maintaining a competitive position in the market place—if, indeed, it is able to “drive costs out of the system,” that is, capture the potential savings.

Turning to the matter of subclasses:

In First Class, the Postal Service proposed two subclasses, essentially drawing the line between large volume mailers and retail or small mailers. The Postal Service also would have intermingled letters and cards in the two subclasses. The Service failed to establish that the large volume mailers are any more likely to abandon the Postal Service than are the small mailers.

Consequently, the Commission recommends retaining the existing subclasses (letters and cards) and providing requested deeper automation discounts by reconfiguring the rate categories along the lines of those sought by the Postal Service. It rejected the proposal to increase the post card rate to 21 cents.

In the Periodicals class, the Postal Service proposed splitting the existing second-class regular subclass into two new subclasses: Publications Service and Regular. This split was not justified on the record. There was no evidence of distinct markets or products; rather, the proposed subclasses were defined by volume and geographical density. It became increasingly clear as the Commission proceeded with the case that the proposed split was contrived. Parties favorably disposed to the Postal Service's proposal began offering alternatives aimed at resolving very basic defects. Moreover, the record evidence indicated that there was no real competitive threat in this area—a conclusion supported by a summary of a Postal Service study which became available through discovery. Interestingly, the Postal Service witness in this area was not apprised of the existence of the study while preparing his expert testimony.

The Commission recommends retention of the existing subclasses, with new rates that more fully recognize cost savings resulting from mailer worksharing.

In the new Standard class, the Postal Service proposed dividing the Bulk Regular Rate subclass into three new subclasses: Automation, Regular, and Enhanced Carrier Route. The Postal Service and mailers presented convincing quantitative and qualitative evidence of cost and market differences to justify establishment of an Enhanced Carrier Route subclass. The evidence did not, however, justify separate Automation and Regular subclasses.

The Commission recommends establishing an Enhanced Carrier Route subclass encompassing all carrier route mail and an all other, Regular subclass, each with rate categories and rates closely paralleling those proposed by the Postal Service. The Commission also recommends continuing the letter/flat distinction first established in Docket No. R90-1. The Commission, by virtue of a tie vote, does not recommend a surcharge for Standard class parcels falling within the Regular or Enhanced Carrier Route subclasses. The Commission has been told that the Postal Service is currently studying how to reclassify all parcels. The Commission urges the Postal Service to move expeditiously with this study and to include in its considerations an examination of the cost evidence developed in this case.

There were a number of other important issues raised in the Postal Service's reclassification proposal, and the Commission finds itself in agreement with the Service on the vast majority of them. They range from updating and simplifying the Domestic Mail Classification Schedule to providing increased flexibility to postal management with regard to eligibility requirements. The Decision also allows the Postal Service's automation implementation plans to proceed on course.

In closing, let me sum up what the Commission is recommending:

- The Commission recommends the establishment of the market-based classes, as proposed by the Postal Service.
- In First Class, the Commission recommends retaining the existing subclass structure and establishing rate categories and rates that align closely with those proposed by the Postal Service.
- In the new Standard class, the Commission recommends establishment of an Enhanced Carrier Route subclass, as proposed by the Postal Service, and an all other, Regular subclass. Each of these subclasses, as recommended, have rate categories and rates that align closely with those proposed by the Postal Service.

- Within the new Periodicals class, the Commission recommends retaining the current subclass structure but with rate discounts that better reflect the value of mailer worksharing.
- The Commission recommends the vast majority of proposals to simplify and streamline the Domestic Mail Classification Schedule and to provide the Postal Service with increased flexibility.

The Commission's recommendations take into account and are consistent with the operational objectives and management initiatives of the Postal Service. They promote automation. They better position the Postal Service to meet perceived competitive threats. They provide greater day-to-day management flexibility to the Postal Service.

That concludes my statement. My colleagues and I will try to answer questions you have. Legal and technical staff, Mr. Sharfman and Mr. Cohen, will be available for questions following the press conference.

CURRENT, PROPOSED AND RECOMMENDED RATES

(in cents)

<i>Hypothetical Mail Pieces</i>	<i>Current</i>	<i>Postal Service Proposal</i>
First-Class Mail		
Greeting Card or Bill Payment.....	32.0	32.0
Department Store Bill.....	27.4	30.0
Credit Card Statement.....	26.4	25.0
Utility Bill.....	25.8	23.5
Post Card	20.0	21.0
Standard Mail (formerly Third-Class Mail)		
Selective Catalog.....	18.8	21.9
Selective Advertisement		
Letter	16.6	15.0
Flat.....	19.5	19.0
Widely Distributed Advertisement.....	13.6	14.2
Local Department Store Ad.....	14.2	13.7
Saturation Local Mail.....	12.0	11.2

Source: Adapted from chart appearing at PRC Op MC95-1 at iv.

MAIL CLASSES

EXISTING CLASSES

EXPRESS MAIL

FIRST-CLASS MAIL

SECOND-CLASS MAIL

THIRD-CLASS MAIL

FOURTH-CLASS MAIL

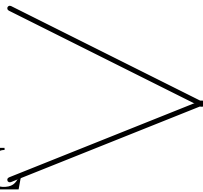
REVISED CLASSES

EXPEDITED MAIL

FIRST-CLASS MAIL

PERIODICALS

STANDARD MAIL



[illegible]

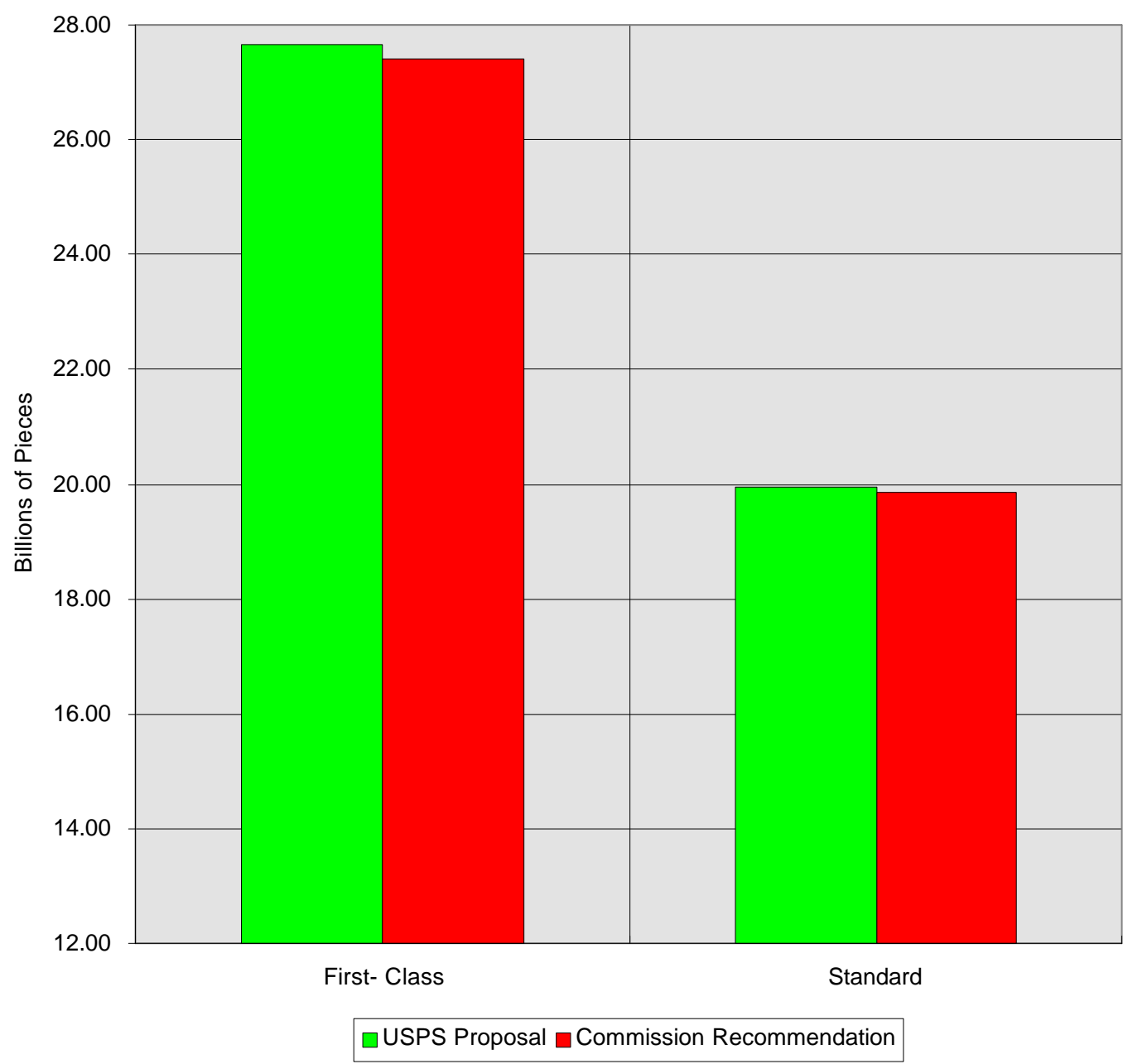
[illegible]

PERIODICALS: CURRENT, PROPOSED AND RECOMMENDED RATES

<i>Hypothetical Mail Pieces</i>	<i>Current</i>	<i>USPS Proposed (in cents)</i>	<i>PRC Recommended</i>
Magazines			
<i>Journal of Opinion</i> (3 oz; 20% advertising; mostly 5-digit; high zone distribution)	18.0	20.9	19.8
<i>Weekly News Magazine</i> (4.8 oz; 43% advertising; mostly carrier route; close zones)	15.8	12.8*	14.1
<i>Large National Monthly</i> (11.2 oz; 57 percent advertising; mostly carrier-route; close zones)	24.6	18.8*	23.0
Newsletter			
<i>Financial</i> (2 oz; 100% editorial; basic sortation; Zone 5 distribution)			
♦ with a barcode	17.3	18.4	15.7
♦ without a barcode	19.5	23.0	20.3
Newspaper			
<i>National</i> (12 oz; 50% advertising; 5-digit; SCF entry; nonmachinable)	27.6	23.3*	29.4

*Publications Service subclass

Total Automation Mail Pieces



SUMMARY

In this case, the Postal Service proposes “market-based classes” of mail with a new nomenclature: First-Class Mail, Periodicals, and Standard Mail. Within these new classes, new subclass structures are proposed. The Commission recommends adoption of the new class nomenclature, rejects the proposed subclasses for First-Class Mail and Periodicals, and recommends a new Enhanced Carrier Route subclass in Standard Mail.

Within First-Class Mail and Standard Mail, the Service proposes: (1) rate categories that closely resemble those which exist today, and (2) associated rates that it believes will enable the Service to meet the challenge of increased competition by making optimal use of automated mail-processing technologies. The Commission recommends rate categories which generally mirror those proposed by the Service, and associated rates that closely track those proposed.

For the proposed Periodicals class the Commission recommends retaining existing rate categories¹ with new rates that, to the full extent permitted by the record in this case, recognize cost savings to the Postal Service resulting from mailer worksharing activities.

The Commission recommends a mail classification schedule that addresses the Postal Service’s publicly-stated agenda. It gives the Postal Service rates closely resembling those it contends it needs. The Postal Service says its proposed mail classification schedule will (1) “align rates more closely with the degree of preparation of mail for entry into the mailstream and the cost-causing characteristics of mail overall, in a manner more successful than in the past,” and (2) provide “strong incentives to drive costs out of the system by linking postage rates more closely with cost characteristics.” Request of the United States Postal Service for Recommended Decisions on

¹ In Periodicals, there is one exception. The Commission recommends eliminating the ZIP + 4 discount, as proposed by the Postal Service. It does the same for First-Class Mail and Standard Mail.

Classification Reform of First-, Second-, and Third-Class Mail (Postal Service Request) at 12. The Commission recommends a mail classification schedule that will assist the Postal Service to make optimal use of automated processing technologies. The Commission's recommended rates reflect the Postal Service's cost evidence and send the "signals" desired by the Service.

Several parties, however, raise the possibility of a second agenda in this case, one that is obscured by the notion of "contribution neutrality" and promoted by concerns about "implicit coverages." This second agenda is suggested by the Postal Service's reluctance to address the future effects of its proposal. The Postal Service's classification schedule, if taken to the "subclass" extreme proposed, could lead to a substantial shift in responsibility for paying the \$19.7 billion in overhead costs of the nation's mail system. Individuals, small businesses, and publishers of small newspapers and small circulation magazines would pay more; large business mailers, large circulation publishers, and saturation mail advertisers would pay less.² The Commission is unaware of any Postal Service effort to discuss the impact of its proposals with consumer groups, or to evaluate the effect of its proposals on future availability of affordable mail delivery for individuals and businesses of all sizes.

² It appears the Postal Service's proposed First-Class stamp rate was held artificially low by a management "decision to hold the single-piece letter rate at its R94 level." USPS-T-17 at 10. This decision exerted a "major influence in determining the overall cost coverage for the Retail Subclass." Ibid. Postal Service witness O'Hara, in response to an interrogatory, confirmed that if the index used to assign overhead costs in the last omnibus rate case, Docket NR94-1, were applied to the proposed Retail subclass, a 35-cent First-Class stamp would result. Tr. 10/3698-99. The Service's Periodicals and Standard Mail pricing witnesses also aver that, except for constraints such as contribution neutrality, they would have assigned less overhead to the new, "efficient" subclasses while shifting additional overhead to the "regular" mail. USPS-T-18 at 6-9; USPS-T-19 at 7-9.

The first section of the Postal Reorganization Act states that “[t]he United States Postal Service shall be operated as a basic and fundamental service provided ~~do the~~ *people . . .*” and that “[t]he costs of establishing and maintaining the Postal Service shall not be apportioned to impair the overall value of such service ~~to the people.~~” 39 U.S.C. § 101(a) (emphasis added). The Postal Service is charged to “provide prompt, reliable, and efficient services to patrons in all areas and [to] render postal services to all communities.” Ibid. Congress mandated that “[p]ostal rates shall be established to apportion the costs of all postal operations to all users of the mail *on a fair and equitable basis.*” 39 U.S.C. § 101(d) (emphasis added). The Commission does not believe it intended that classifications would be established without evaluating the effect of those classifications on all mailers.

The following table compares current, Postal Service-proposed, and Commission-recommended rates for hypothetical mail pieces in the First-Class Mail, Periodicals, and Standard classes. The mail pieces are representative in terms of size, weight and worksharing characteristics of typical pieces entered in the various rate categories.

CURRENT, PROPOSED, AND RECOMMENDED RATES

<u>Hypothetical Mail Pieces³</u>	<u>Current</u>	<u>USPS Proposed</u>	<u>PRC Recommended</u>
<u>First-Class Mail</u>			
Greeting Card/Payment of a Bill	32.0¢	32.0¢	32.0¢
Bank Statement	78.0¢	78.0¢	78.0¢
Department Store Bill	27.4¢	30.0¢	29.5¢
Credit Card Statement	26.4¢	25.0¢	25.4¢
Utility Bill	25.8¢	23.5¢	23.8¢
Utility Bill, Residual Pieces	N/A	27.0¢	26.1¢
Post Card	20.0¢	21.0¢	20.0¢
<u>Periodicals</u>			
Journal of Opinion	18.0¢	20.9¢	19.8¢
Weekly News Magazine	15.8¢	12.8¢	14.1¢
Large National Monthly	24.6¢	18.8¢	23.0¢
<u>Standard Mail</u>			
Selective Catalog	18.8¢	21.9¢	20.9¢
Selective Advertisement/Letter	16.6¢	15.0¢	15.5¢
Selective Advertisement/Flat	19.5¢	19.0¢	18.9¢
Widely Distributed Advertisement	13.6¢	14.2¢	13.7¢
Local Department Store Advertisement	14.2¢	13.7¢	13.7¢
Saturation Local Mail	12.0¢	11.2¢	11.4¢

³ The assumed characteristics are as follows: greeting card/bill payment (1 oz. letter, single piece); bank statement (3 oz. letter, single piece); department store bill (5-digit presort, nonautomated); credit card statement (3-digit presort, automated); utility bill (5-digit presort, automated); utility bill, residual pieces (basic presort, automated); post card (single piece card); journal of opinion (3 oz. 20 percent advertising, high zone distribution, mostly 5-digit); weekly news magazine (4.8 oz. 43 percent advertising, close zones, mostly carrier route presort); large national monthly (11.2 oz., 57 percent advertising, close zones, mostly carrier route presort); selective catalog (regular 3/5-digit presort, 2 oz. letter); selective advertisement/letter (5-digit presort, automation, 2 oz. letter); selective advertisement/flat (3/5-digit presort, automation, 3 oz. flat); widely distributed advertisement (carrier route basic presort, 2 oz. letter, BMC entry); local department store advertisement (carrier route basic presort, 3 oz. flat, SCF entry); saturation local mail (carrier route walk sequence presort, 3 oz. flat).

INTRODUCTION

[1001] Although the Postal Service submitted a statutorily required omnibus mail classification proposal in 1973, Docket No MC73-1, that effort essentially was a request to preserve the then-existing classes, subclasses, and rate categories. Classification dockets since that time have involved narrow proposals that were addressed in an *ad hoc* manner. Thus, this docket is the first comprehensive reclassification proposal the Postal Service has submitted under the Postal Reorganization Act, and it has been described as “the first step in complete reform of the classification of mail services.” P.O. Ruling MC95-1/3 at 5.

[1002] The Postal Service proposes what it describes as “market-based classes” of mail. It “has determined that the customer’s choice of service level should be the basic criterion used to define the classes of mail.” Postal Service Request at 2. It says this approach is consistent with that of its competitors. *Ibid.*

Under this market-based framework the Postal Service proposes three levels of service, each of which, subject to content limitations, would be available for all permissible sizes and weights of mail. These service levels, and the current classes of mail that correspond to each level are: Expedited (Express Mail), First-Class (First-Class Mail), and Standard (third- and fourth-class mail). In addition, the Postal Service has concluded that separate classification treatment for periodical publications continues to be warranted.

Ibid.

[1003] The Commission recommends adoption of the ~~the~~ class structure proposed by the Postal Service. The recommended Domestic Mail Classification Schedule (DMCS) set forth in Appendix Two contains the proposed Expedited, First Class, Standard and Periodicals classes. It also includes the proposed nonsubstantive editorial and organizational changes proposed by the Service.

Subclasses

[1004] The issue of “subclasses” is paramount in this docket. The Reorganization Act speaks only of “classes.” *See for example*, 39 U.S.C. § 3622(b). The statutory classification criteria apply with respect to the establishment or modification of the “mail classification schedule.” 39 U.S.C. § 3623. “Subclasses” evolved through Commission decisions intended to further ratemaking in accordance with the Act. In this docket, the parties advance various theories, often competing, as to when a grouping of mail should be considered a subclass.

[1005] While the Commission must be guided by the statutory classification criteria set forth in § 3623, it also recognizes that the function of mail classification is to create groupings of mail *for the purpose of ratemaking*. In the past, the Commission has accorded subclass status to a grouping of mail when that status will facilitate the application of the ratemaking factors of the Act³.

³ In the first case in which this concept was addressed, the Commission recognized that a subclass of mail should have “unique characteristics . . . which would warrant an independent application of all of the §3622(b) ratemaking criteria to [the] category.” PR~~C~~Op. R77-1 at 247. The Commission has continued to adhere to this view. The question of whether independent application of the statutory ratemaking criteria is appropriate has guided the decision in this docket.

[1006] Under the Postal Reorganization Act, and judicial and Commission precedents applying it, postal ratemaking involves two fundamental steps: (1) the attribution of direct and indirect costs required by §3622(b)(3); and (2) the assignment of institutional costs in accordance with the noncost criteria set forth in §3622(b). As the Newspaper Association of America (NAA) correctly states on brief, “[i]n postal ratemaking, a subclass is a grouping of mail across which attributable costs are measured and averaged, and to which the Section 3622 rate setting factors are applied for purposes of assigning a share of the Postal Service’s institutional costs.” NAA Brief at 24 (footnote omitted).

[1007] In the past, a showing of cost and demand differences has been important for concluding that independent application of all of the §3622(b) ratemaking criteria is warranted. The Postal Service policy witness recognizes that “[d]efining homogenous mail subclasses with respect to cost and market factors *allows the various pricing factors of the Act to be applied in an effective manner*.” USPS-T-1 at 25 (emphasis added). The cost characteristics test reflects the need to classify mail for purposes of attributing costs.⁴ The market-demand characteristics test reflects the need to classify mail for purposes of assigning institutional costs, particularly to take into account “the value of mail service actually provided each class or type of mail service to both the sender and the recipient” 39 U.S.C. § 3622(b)(2).

[1008] *Costs*. The Direct Marketing Association (DMA), with support of other parties, argues that the existence of cost differences is sufficient, by itself, to justify subclass status. While cost differences are important, they are not necessarily controlling. In this docket, the cost differences among proposed subclasses tend to result

⁴ In addition to facilitating the attribution of costs, if cost differences are intrinsic, they may be sufficient to warrant independent application of the statutory ratemaking criteria. In this docket, this is not shown to be the case.

from worksharing. As explained in Chapter III and Section IV.D., cost differences among groups of mail that result from worksharing activity are not sufficient to justify subclass status. In such instances rate categories appropriately reflect the cost differences and, in fact, result in rates which send correct economic signals that lead to productive efficiencies. According subclass status solely on the basis of such cost differences sends improper economic signals, resulting in productive inefficiencies, overcompensating the workshare mailer, and resulting in an increase in the total cost of mail for society at large.

[1009] *Noncost Factors*. Whether or not cost differences exist, subclass status may be accorded a grouping of mail when necessary for proper application of the noncost (pricing) factors of the Act. Typically, the test applied is whether the grouping exhibits different demand characteristics, which indicate it consists of distinct products which serve a separate market. As the Commission has recognized, “the critical factors to be considered are whether the cost characteristics and demand characteristics . . . are sufficiently different to warrant independent evaluation under §622(b) factors.” PRC Op. R80-1, para. 0686. With the exception of the proposed Standard Enhanced Carrier Route subclass, there is not sufficient evidence on this record for the Commission to find that the subclasses proposed exhibit different demand characteristics. They do not consist of different products which serve different markets.

[1010] *First-Class Mail*. The Commission’s recommended classification structure and rates for First-Class Mail promote the Postal Service’s stated operational and management objectives. While this recommendation leaves the existing subclass structure intact, it reconfigures rate categories and includes cost-based discounts to arrive at rates which closely track those the Service proposes (including the creation of a new basic automation category and the elimination of the ZIP+ 4 discount).

[1011] Proponents of the Postal Service's proposed subclass structure for First-Class Mail have failed to show that the proposed structure better warrants independent application of the § 3622(b) ratemaking criteria than that which exists today. Proponents assert that the proposed subclasses result in more homogenous groups of mail. This is not the case. Post and postal cards, which form a current subclass of First Class that exhibits distinct cost and demand differences from First-Class letters, would be split between the proposed Automation and Retail subclasses. This change would both destroy a relatively homogenous pre-existing mail classification and render less homogenous the two proposed subclasses which would absorb cards. Traditional indices of demand differences also suggest the proposed subclasses do not represent distinct markets. Postal Service witness Tolley applies no difference in price elasticity between Retail and Automation eligible mail. USPST-16 at A-167. Further, although the own-price elasticities of cards and letters differ significantly, they are grouped together.

[1012] Finally, the proposal appears likely to do substantial future harm by promoting a potentially substantial shift of institutional costs. As Hallmark Cards, Inc. points out on brief, "[the First-Class Mail] proposal would split the mail into separate large- and small-volume classes, setting the stage for the shifting of institutional costs from the large to the small mailer. The small mailer would pay more, per piece, than the large mailer, to use the same institutional factors that serve both." Hallmark Brief at 3.

[1013] *Periodicals*. The proposal to split the existing second-class regular subclass into two new subclasses, Publications Service and Regular, is not justified on this record. The approximate result of the proposed rates is a 14 percent decrease for periodicals qualifying for Publications Service (approximately 800), and a 17 percent increase for those in Regular (more than 11,000). Tr9/2606.

[1014] There is no meaningful evidence that the subclasses proposed reflect groupings of identifiable separate postal products. There is no evidence of separate markets. The proposed subclasses, instead, are determined by volume and geographical density. Further, even if a mailing fails to meet the requirements of the proposed Publications Service, the qualified mailer could simply pay a penalty, and the mailing would still be entered in Publications Service. The Postal Service proposes revised content and subscriber/requester requirements which are contrived and artificial and result in no demonstrable benefit. Finally, in every significant respect, the record evidence is nonexistent on the Service's claim of a threat of alternate delivery.

[1015] The Commission recommends keeping the existing rate categories within second class (except for elimination of the ZIP+ 4 discount), but, with the benefit of new cost evidence, is able to recommend discounts which are more cost based than those now provided.

[1016] *Standard Mail*. Unlike the First-Class Mail and Periodicals proposals, there is virtual unanimity of support for Standard Mail from the Postal Service and users of this mail. Opposition to the proposed subclasses within Standard Mail comes from the OCA and parties who, in this docket, appear in the posture of competitors of the Postal Service, not mail users. "[T]he desirability of special classifications from the point of view of both the user and of the Postal Service" is a specific statutory classification criterion, and the Commission believes it is particularly important in the case of Standard Mail because of this near unanimity of support.

[1017] The Postal Service proposes dividing the existing bulk regular rate subclass into three subclasses -- Regular, Automation, and Enhanced Carrier Route. The cost differences demonstrated on the record are not sufficient, by themselves, to justify the proposed subclasses. Quantitative and qualitative evidence in the record does support

a finding that there are market differences between carrier route and noncarrier route Standard Mail. The Commission recommends the creation of an Enhanced Carrier Route subclass to reflect this. There is not sufficient evidence, however, to recommend dividing noncarrier route mail into two subclasses as proposed by the Postal Service.

Fairness and Equity

[1018] *Institutional Cost Burden.* The Act calls for “the establishment and maintenance of a fair and equitable classification system *for all mail.*” 39 U.S.C. 3623(c)(1) (emphasis added). Similarly, with respect to rates, it directs “the establishment and maintenance of a fair and equitable schedule.” 39 U.S.C. § 3622(b)(1). “In providing services and in establishing classifications, rates, and fees . . . the Postal Service shall not, except as specifically authorized in this [Act], make any undue or unreasonable discrimination among users of the mail, nor shall it grant any undue or unreasonable preferences to any such user.” 39 U.S.C. § 403(c).

[1019] The record in this docket is based on “contribution neutrality” as the Postal Service proposes. The Commission adopts this approach, but this does not justify ignoring whether or not the Postal Service’s proposal will result in fair and equitable classification and rate schedules that are free from undue discrimination. Postal Service witnesses testify that institutional cost burdens would inevitably be shifted if the proposed subclasses are adopted, but they do not address the effects of these shifts on mailers. *See* footnote 3, above. This is particularly troublesome in First-Class Mail, where it appears that large business mailers would benefit at the expense of individual and small business mailers, and in Periodicals, where mailers of publications with dense circulation patterns would benefit at the expense of those with small and widely dispersed circulation bases. Some have argued that the Postal Service’s proposal will shift

institutional costs from bulk business Standard class mailers to individual First-Class mailers. *See for example*, Tr. 39/17355; NAA Brief at 15-16; OCA Brief, Part IV at 39-45. The Commission's recommended decision will not promote *intra* class shifting in First-Class Mail and Periodicals, since the Commission rejects the subclass proposals for those classes. The Commission has expressed its reluctance to shift too large a share of the total institutional cost burden to First Class in several recent omnibus rate cases. *See for example*, PRC Op. R90-1, para. 4110; PRC Op. R94-1, para. 4024. Mailers express valid concerns about a further shift from Standard Mail to First-Class Mail in the future. The Commission's willingness to establish an additional subclass within Standard Mail should not be interpreted as a retreat from the view that the largest volume subclasses in First-Class and Standard Mail should have roughly equivalent markup indices.

[1020] *Coverages*. The Postal Service says that the existing classification structure is unfair. It believes that "efficient mail" pays a disproportionate share of institutional costs. It points out, for example, that "the FY 1995 cost coverage for the First-Class letter subclass is 179 %, while the separate cost coverages for presort and nonpresort letters [both of which are categories within the First-Class letter subclass] are 235 % and 161 percent, respectively." USPST-1 at 16. In second-class regular rate, the Service points out that the cost coverage for those publications which would qualify for the proposed Publications Service subclass is "40 points higher than for nonqualifiers." *Id.* at 17.

[1021] To support this "disproportionate share" argument, the Postal Service focuses on implicit percentage coverages. As discussed in Section III.B.2, this focus is misplaced. Simply as a function of arithmetic, implicit percentage markups will increase as a consequence of worksharing discounts. This is not unfair. In fact, equalizing

implicit coverages between workshare mail and non-workshare mail sends improper economic signals, results in productive inefficiency, overcompensates the workshare mailer, and results in an increase in the total cost of mail for society at large.

[1022] For example, under the Service's Periodicals proposal the implicit coverages are nearly equal for the Regular subclass and Publications Service subclass. As a result, a Regular subclass publication would pay a unit contribution 1.5 cents greater than the unit contribution of a Publications Service piece. Tr. 28/13333-36. Thus, if the rate structures are otherwise cost based, a mailer electing to workshare in order to qualify for Publications Service will receive a discount 1.5 cents greater than the attendant savings to the Postal Service. This sends an inappropriate economic signal, and unfairly shifts institutional costs to the Regular subclass mailer.

Rates

[1023] Although this case is styled as a classification case, rates are really at its crux. The vast majority of those who support classification reform expect rate reductions, while those who expect rate increases oppose it. Rates send economic signals to mailers. In this docket the Postal Service says it wants rates that will send appropriate "signals" to encourage "efficient mail." While the Commission questions whether the rates proposed by the Postal Service are truly "cost based" (as opposed to being driven primarily by operational concerns), it generally accepts the Service's cost evidence.

[1024] As in past mail classification and rate proceedings, the Commission has carefully considered the Postal Service's operational objectives and management initiatives. Automated mail processing has been advanced for more than a decade by the Postal Service as a promising source of operating efficiencies. The Commission has responded with recommended mail classifications and discounted rates that recognize the

potential savings made possible by worksharing activities of users of the postal system who enter automation-compatible mail. The Commission remains committed to adapting mail classifications and postal rates to the demonstrated cost savings resulting from automated processing. The recommended classification structure, and associated rates and cost-based discounts, will encourage mailers to provide mail that is compatible with automated processing and the bulk bypass of processing that is deemed important by the Service.

Procedural History

[1025] The Postal Service filed its request for a recommended decision on proposed classification reform of First-, second-, and third-class mail on March 24, 1995. The request included rate changes which, in some instances, reflected substantial postage increases or decreases for affected mailers. The Service's request was accompanied by the testimony and exhibits of 22 witnesses, plus related library references. Subsequently, the Service sponsored eight additional witnesses to address the status of regulations drafted to implement classification reform and sponsored the testimony of 14 rebuttal witnesses.

[1026] In a comprehensive notice and order issued shortly after the Service submitted its request, the Commission noted that the mail users most directly affected by the Service's proposed changes were current users of First-Class Mail, regular-rate second-class mail and regular-rate third-class mail. It also noted that the Service's request indicated that substantive reform proposals affecting senders of nonprofit mail, parcels and Priority Mail were expected to be filed with the Commission at a later, unspecified, time. *See generally* Notice and Order No. 1049 (March 28, 1995), appearing at 60 Fed. Reg. 16888-93 (April 3, 1995) (hereinafter "order").

[1027] The Commission's order also briefly reviewed the central elements of the Service's filing. These included policy considerations, technical matters, and changes in the Domestic Mail Classification Schedule (DMCS). The policy issues involved three basic aspects of the filing: the Service's characterization of its request as the initial phase of a fundamental restructuring of the classification schedule; the Service's contention that the proposed changes would further the general policies of efficient postal operations and reasonable rates enunciated in the Postal Reorganization Act; and the Service's claims regarding the goals, objectives, and principles underlying the proposal.

[1028] With respect to technical aspects of the Service's request, the order indicated that the filing adopted a "contribution neutral" approach to revenue generation and, with two exceptions, reflected methodologies used in Docket NoR94-1. The exceptions involved estimates of the costs, volumes, and revenues for the new subclasses and the city carrier single subclass access costs issue. With respect to DMCS changes, the order noted that the Service's proposal entailed substantive amendments that reflected revisions in the underlying classification structure, as well as complementary editorial and organizational changes.

[1029] The order established the procedural framework for consideration of the Service's filing. This framework reflected the Commission's intention to complete its consideration of the requested changes within the statutory deadline for rate cases. The order also published a proposed set of Special Rules of Practice for comment, and scheduled a prehearing conference for April 25, 1995, in the Commission's hearing room.

[1030] Commission Chairman Edward J. Gleiman acted as presiding officer. *See* March 27, 1995 Order of the Chairman. In this capacity, he ruled on a wide variety of motions; certified matters to the Commission; developed the procedural schedule; presided at the Commission's public hearings on the Service's request; and issued 14

Information Requests. With one exception, the Information Requests sought additional data, information or clarification from the Postal Service. The exception requested the OCA to prepare an estimate of the distribution of single subclass stops among the set of proposed subclasses, using the methodology cited by OCA witness Ramage in rebuttal testimony. *See* P.O. Information Request No.12 (September 29, 1995).

[1031] During the course of the proceeding, the Commission, sitting *en banc*, held 35 days of evidentiary hearings. The hearings were held in three stages. The first stage consisted of 14 days of public hearings on the Service's direct case. These hearings were held from June 12-29, 1995. The second stage consisted of 13 days of public hearings on intervenors' testimony. These hearings were held from September 6-22, 1995. The third stage consisted of eight days of public hearings on rebuttal testimony. These hearings were held between October 12-23, 1995. Initial briefs were filed November 6, 1995; reply briefs were filed November 16, 1995. Oral argument was held November 21, 1995.

[1032] There were 14 Presiding Officer Information Requests, and the Commission issued three Notices of Inquiry. Notice of Inquiry No1, issued August 28, 1995, sought comments on a number of matters related to recognizing "efficiently prepared mail" and other practices in the Periodical's rate structure. Notice of Inquiry No. 2, issued September 11, 1995, inquired into shape-based rates for letters, flats, and parcels in Standard mail. Notice of Inquiry No3, issued September 14, 1995, explored the cost basis for worksharing rate categories within the proposed First-Class Mail and Standard classes.

[1033] In total, there were 70 intervenors, not including the OCA. In addition to those sponsored by the Postal Service, 62 witnesses presented testimony in this proceeding.

[1034] *Significant procedural issues.* The major procedural issues concerned the sufficiency of the Service's filing; the appropriateness of delimiting the issues to be considered; and the validity of several claims of confidentiality.

[1035] Questions regarding the sufficiency of the Service's filing were raised in several motions. One, filed by the OCA, was denominated as a motion to dismiss the proceeding.⁵ In support of its position, the OCA cited five major violations of the Commission's rules, as well as several other infractions. The major violations involved missing or deleted material related to documentation of computer-generated evidence; specifications for conditions of mailability and standards of service; estimated total accrued costs; recent statistical data and financial information; and information on performance goals and achievements.⁶ *See generally* OCA Motion (April 7, 1995); *see also* Supplement (April 12, 1995). The Commission concluded that while there were deficiencies in the Service's filing, the submission as a whole was not patently defective. Accordingly, it denied the OCA's motion to dismiss, but directed the Service to produce additional data and information deemed essential to adequate review. *See* Commission Order No. 1055 (May 10, 1995).

[1036] In separate motions, the McGraw-Hill Companies and the Newspaper Association of America sought to have the proceedings held in abeyance, pending the Service's provision of information sufficient to enable a considered evaluation of the impact of the proposal. *See generally* Motion of the McGraw-Hill Companies to Hold in Abeyance Proceedings Relating to Second-Class Mail (May 8, 1995) and Motion of the

⁵ The OCA's motion included a request for alternative relief, either in the form of an order limiting the case to "shell" classification status or directing the Service to bring its filing into full compliance.

⁶ The corresponding citations are to rules 31(k); 54(b)(2); 64(b)(2); 54(k); and 54(n).

Newspaper Association of America to Hold in Abeyance Proceedings Relating to First-Class Mail and Third-Class Mail and Comments in Support of Motion of the McGraw-Hill Companies to Hold in Abeyance Proceedings Relating to Second-Class Mail (May 17, 1995). The Presiding Officer denied these motions, noting that with one exception, the deficiencies in the Service's filing had been cured. *See* P.O. Ruling MC95-1/15. With respect to the exception, the Presiding Officer directed the Postal Service to make available witnesses familiar with the conditions of mailability for the proposed subclasses.

[1037] Another attack on the sufficiency of the Service's filing came in the form of a June 16, 1995 joint motion for a "show cause" order⁷. The movants asked that the Service be required to demonstrate why it should not be required to amend its request to include all of the contemplated conditions of eligibility and related requirements for the proposed new subclasses or, in the alternative, why such requirements should be subject to the Service's sole discretion in connection with revisions to the Domestic Mail Manual (DMM). The Presiding Officer determined that rather than granting the relief sought by the joint movants, the movants and other concerned participants should present specific proposals in the form of evidentiary presentations and arguments on brief. *See* P.O. Ruling MC95-1/36. Chapter VI of this Opinion discusses issues related to the scope and extent of the DMCS in more detail.

[1038] *Limitation of issues.* In a joint motion filed April 18, 1995, seven intervenors sought an order limiting the factual questions at issue⁸. Specifically, the

⁷ Movants included the American Bankers Association, the American Business Press, the McGraw-Hill Companies, Inc., the National Newspaper Association, and the Newspaper Association of America.

⁸ Movants included the Direct Marketing Association, Advertising Mail Marketing Association, the Hearst Corporation, Mail Advertising Service Association International, Mail

movants asked the Commission to accept FY1995 as the test year; to accept the testimony of Postal Service witness Patelunas both in general approach and specific result; and to accept the institutional cost contribution targets cited in the testimony of various Postal Service pricing witnesses. The Commission concluded that an order delimiting issues at an early stage of the proceeding could foreclose the rights of other parties to contribute to the record on relevant and material issues. Accordingly, the Commission denied the motion. *See* Order No. 1059 (May 25, 1995).

[1039] *Confidentiality claims.* Claims related to the confidentiality of sensitive business information arose in several contexts. One involved a confidentiality pledge the Service extended to participants in market research conducted in anticipation of classification reform. This issue was related to the OCA's contention, noted above, that the Service was in violation of Commission rules on computer-generated evidence. Another involved the production of Service-sponsored studies. A third involved the scope of discovery against industry witnesses.⁹

[1040] In Order No. 1071 (August 3, 1995), the Commission noted that claims related to sensitive business information are a continuing source of controversy in Commission proceedings. In this proceeding, the Commission took several steps to resolve immediate concerns and to lay the groundwork for the future. These steps

Order Association of America, the Parcel Shippers Association, and The Reader's Digest Association.

⁹ The term "industry witness" generally refers to an officer or employee of a participant whose testimony is sponsored by the Postal Service.

included a ruling on the permissible scope of discovery against industry witnesses; delineation of the foundation that must be laid to support confidentiality claims; and the announcement of an intended rulemaking to resolve matters specifically related to market research. *See generally* Orders No. 1071, 1072 and 1079, and AppendixC of this Opinion and Recommended Decision.

POSTAL RATE COMMISSION BACKGROUND

WHAT IS THE POSTAL RATE COMMISSION?

The Postal Rate Commission is an independent agency of the Executive Branch created by the Postal Reorganization Act of 1970 for the primary purpose of setting postal rates. The President appoints the five Commissioners and designates the Chairman. Members are confirmed by the Senate for six-year terms. The Commission operates with a multi-disciplined staff trained in law, economics, statistics, and cost accounting.

HOW DOES THE COMMISSION PROCEED?

The Postal Rate Commission conducts formal hearings when the Postal Service proposes changes in rates or classifications governing service. Participants include major users of mail such as magazine publishers and newspapers, postal labor unions, shippers, individual citizens, and the Commission's Consumer Advocate who represents the general public. After considering the record, the Commission forwards a detailed Recommended Decision to the Governors of the Postal Service. The Governors can accept, accept under protest and remand to the Commission for reconsideration, reject, or appeal the decision in court. Under very limited circumstances, they can modify the Commission's decision by unanimous vote.

In reaching its decisions, the Commission applies guidelines established in the 1970 statute. Included are requirements that rates be fair and equitable, that each type of mail recovers its costs and makes a reasonable contribution to overhead and that rates generate enough revenue to enable the Postal Service to break even.

Chairman Edward J. Gleiman

Edward Jay Gleiman was sworn in as Chairman of the Postal Rate Commission on February 23, 1994, following his nomination by President Clinton and confirmation by the Senate, for a term expiring on October 16, 1998.

At the time of his appointment, Mr. Gleiman was serving as Staff Director and Chief Counsel of the Subcommittee on Federal Services, Post Office and Civil Service of the Senate Committee on Governmental Affairs and as a senior policy advisor to Senator David Pryor (D-AR). Before moving across Capitol Hill in 1987, Gleiman served for ten years on the staff of the House Government Operations Committee's Subcommittee on Government Information, Justice and Agriculture.

Mr. Gleiman began his service with the federal government in 1968, as an examiner with the Patent Office. In 1971, he was assigned to the President's Cost of Living Council and its Price Commission, where he was Director of Field Operations. He then spent four years, beginning in 1973, at the Department of Health, Education and Welfare, initially as a member of the Secretary's Operational Planning Staff and later heading up the Department's Fair Information Practices Office. While in graduate school, Gleiman worked as a biomedical research assistant.

A native of Baltimore, Maryland, Mr. Gleiman received his Bachelor of Science degree from Loyola College in 1965. After doing graduate work at Johns Hopkins University, he earned his law degree at the University of Baltimore Law School in 1971. He resides in Colesville, Maryland with his wife and their two children.

Vice Chairman W. H. “Trey” LeBlanc

Commissioner LeBlanc was nominated as United States Postal Rate Commissioner by President Ronald Reagan and confirmed by the United States Senate on November 24, 1987. On June 8, 1988 he was reappointed for a term expiring November 22, 1994 and on August 14, 1995, he was reappointed for a term expiring November 22, 2000. On October 8, 1993, Commissioner LeBlanc was unanimously elected Vice Chairman of the Postal Rate Commission.

Commissioner LeBlanc came to the Postal Rate Commission from Baton Rouge, Louisiana, where he was president and general manager of a family-owned lumber company. He has over 12 years of experience and proven accomplishments in land development and service businesses. His track record in marketing new products, quality control, cost reduction, profit building, personnel supervision, and public relations resulted in impressive increases in margins and sales.

He served two terms as President of the Louisiana State Lumber Dealers Association and one term as President of the Louisiana Local Lumber Dealers Association. He was also a member of his local Home Builders Association and Land Developers Council.

In 1966, Commissioner LeBlanc entered Louisiana State University, where he was Freshman Class president and a member of Sigma Alpha Epsilon Fraternity. His studies were temporarily interrupted when he enlisted in the United States Marine Corps where Commissioner LeBlanc served his country in Vietnam for 14 months. He was honorably discharged Sgt. E-5 in 1970. He later returned to Louisiana State University to complete his studies in 1970 and graduated in 1972 with a Bachelor of Science degree in Business Administration.

Commissioner LeBlanc is an all-around avid sports fan, and he holds a Black Belt in Karate. He is married to Jane Crews, together with whom he has three children.

Commissioner George W. Haley

George W. Haley, Esq., currently serves as a Commissioner of the Postal Rate Commission. Initially appointed as Chairman in February 1990, President Clinton reappointed him to the Commission in November 1993. Prior to assuming public office, Mr. Haley was president of George W. Haley, P.C., located in Washington, D.C., and specializing in transportation, corporate, and international law.

Mr. Haley's public service began in Kansas City, Kansas, where he began his practice of law in the fall of 1952. While in private practice, he also served as Deputy City Attorney (1954 - 1964) and later as State Senator (1964 - 1968). After coming to Washington, he served as Chief Counsel of the Urban Mass Transportation Administration (1969 - 1973), Associate Director for Equal Employment Opportunity at the United States Information Agency (USIA)(1973 - 1976), and as General Counsel and Congressional Liaison at USIA (1976 - 1977). After leaving USIA, he became a partner in the law firm of Obermayer, Rebmann, Maxwell & Hippel, of Philadelphia and Washington, until he established his own firm in 1981.

In 1983, Mr. Haley was appointed by the President to serve on the United States delegation at the Twenty-Second General Conference of the United Nations Educational, Scientific, and Cultural Organization (UNESCO) in Paris. In 1984, the President appointed him to the United States delegation to the Second International Conference on Assistance to Refugees in Africa, in Geneva, Switzerland, and to serve as well on the 15 member Monitoring Panel on the question of U.S. withdrawal from UNESCO. In 1987, the President appointed Mr. Haley to the delegation representing the United States at the Centennial Celebration of Dakar in Senegal, West Africa.

Mr. Haley is a graduate of Morehouse College in Atlanta; he received his law degree from the University of Arkansas at Fayetteville. He is a member of the American Bar Association, the Federal Bar Association, and the National Bar Association as well as the bar associations of Arkansas, the District of Columbia, and Kansas. Mr. Haley is a member of many professional, civic, community, and cultural groups, and he serves on many boards of directors.

Mr. Haley's wife, Doris, was a teacher in the public schools of the District of Columbia until her retirement in 1993. They have a son, David, who resides in Kansas City, Kansas, and a daughter, Anne, whose home is in Los Angeles. Both are attorneys.

Commissioner H. Edward Quick, Jr.

Commissioner H. Edward Quick, Jr. was confirmed by the United States Senate on November 22, 1991; his term expires on November 22, 1996.

Prior to joining the Postal Rate Commission, Mr. Quick served as Legislative Director for Senator David Pryor of Arkansas, beginning January 1987. He served as Administrative Assistant to Senator Thomas F. Eagleton of Missouri from 1976 until December 1986, and as Special Assistant from January 1969 until his appointment as Administrative Assistant.

From Fall 1964 until his appointment to the staff of Senator Eagleton, Mr. Quick studied political science at Washington University in St. Louis. In 1963 he received the Master of Arts in Philosophy from that institution, and in 1961 he received the Bachelor of Arts from Ottawa University in Ottawa, Kansas.

Mr. Quick resides with his wife, Colleen, and their three children, Stephen, Vanessa, and Andrew, in Bethesda, Maryland. Mrs. Quick is a professional editor at the Borden Institute for Military Clinical Study at the Walter Reed Army Medical Center.